

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:2657
ANSWERED ON:07.03.2003
RATING ON INDIA SOVEREIGN FOREIGN CURRENCY DEBT
RENUKA CHOWDHURY

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether attention of the Government has been drawn to the recent report of the American credit rating agency Moody's investors service upgrading its rating on India's sovereign foreign currency debt, grading it as 'Substantial';
- (b) if so, the details of the last three grading reports of the American Credit Rating Agency
- (c) the aspects and criteria which are taken into account by the American Agency; and
- (d) the degree of improvement registered on each count which affected the grading of India by the agency?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) and (b) : Yes, Sir. Moody's Investors Service upgraded India's country ceiling for foreign currency debt to 'Ba1' from 'Ba2' in February, 2003. The outlook on the 'Ba1' foreign currency debt ceiling was stated to be stable. The following table show the details in respect of last three grading reports of the Agency:

Year Rating Report on India's country ceiling
 for foreign currency debt.

August 2001	Ba2 with stable outlook
November 2000	Ba2 with positive outlook
October 1999	Ba2 with positive outlook

(c) and (d) : While undertaking the review of ratings for the sovereign, the Agency, inter-alia, considers issues relating to external liquidity, structural strength, fiscal deficit, status of public debt and public finances etc. In the latest upgradation of the ratings for India's country ceiling for foreign currency debt, the Agency has stated that the principal reason for the upgrade was the substantial improvement in country's external liquidity position. Official foreign reserves have expanded especially rapidly during the past year due to increased merchandise exports, dynamic sales of information technology services, and large worker's remittances. The last change in the rating outlook for the foreign currency country ceiling was done in August 2001 when it was changed from positive to stable mainly on account of concerns regarding budget deficit, public debt, privatisation etc.